

# Credit Union Division News

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Rosemond Covered Bridge

## *From the Office of the Governor Iowa's Year End Financial Condition*

Thanks to a stable economy, Iowa is ending FY03 with a small projected general fund surplus. Also, tax revenue outpaced the previous year for the first time since 2000.

Although the economic emergency fund dropped to \$3.3 million in 2003 from \$25.2 million, the cash reserve fund grew to \$205 million from \$140 million. The two reserves together totaled 4.6% of appropriations, up from

3.6% in 2002. The 2004 budget is based on 1.4% projected net general fund revenue growth without any tax increases, and with sharply reduced reliance on one-time revenue. After the Revenue Estimating Conference met on August 5, the projected FY04 ending balance is \$81.7 million with slight growth in the combined cash reserve and economic emergency funds, increasing the amount in reserve to 6.4% of appropriations.



Federal fiscal relief funds, which are expected to total \$100 million by 2005, will be dedicated to (continued on page 6)

## ANNUAL REPORT

The 2002 Annual Report is now available.

To view a copy of the annual report see the Division website at

[www.iacudiv.state.ia.us](http://www.iacudiv.state.ia.us)



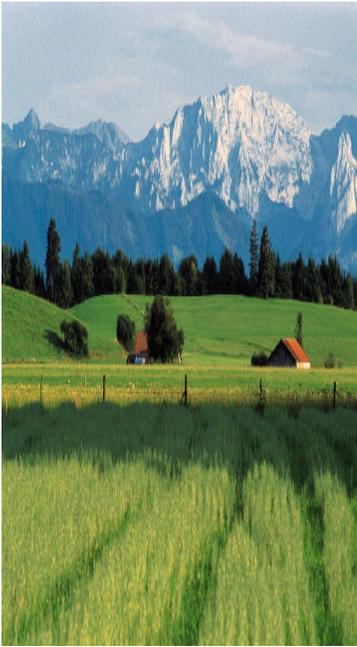
## *Division Receives Continued Accreditation*

The Board of Directors and the Performance Standards Committee (PSC) of the National Association of State Credit Union Supervisors (NASCUS), notified the

Iowa Credit Union Division that the standards for continued accreditation and its accredited status has been extended for the year.

The PSC determined that

the Division has demonstrated its capacity to perform the duties and responsibilities charged to us by our credit union code.



## *Field of Membership and Common Bond*

There are several types of common bonds. Common bonds are relationships “based on association, occupation, industry, or employer, residence, multiple groups, or employment within a specified community, .” *Iowa Administrative Code Chapter 189-2.5*

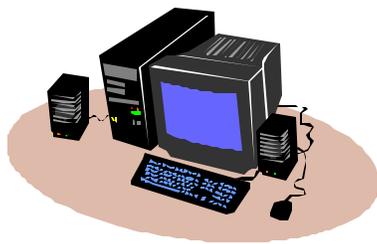
An association common bond is established on common loyalties, benefits, interests and activities.

The occupation, industry or employer common bond is established through a common business, employer, or corporate parent.

A multiple group common bond is a combination of both an association common bond and an occupation, industry or employer common bond. This type of common bond just became an option as of March 26, 2003.

And last, the community common bond which is based on residence, employment or principal place of business in a specific geographic boundary.

Changes in common bonds requires approval by the superintendent who will determine if the change is consistent with the standards for charter under *Iowa Administrative Code Chapter 189-2.5*.



The Credit Union Division has filled the Information Technology position. On July 1, 2003, Toby Schau, joined the Credit Union Division family.

Toby and his wife, Misti, live in Des Moines and have 2 children, Hannah (4) and Carson (3).

Toby is very computer tech-

nology savvy, with experience in network and systems administration, web development, and database administration. He is currently 4 classes away from earning a Computer Information Systems degree from Simpson College.

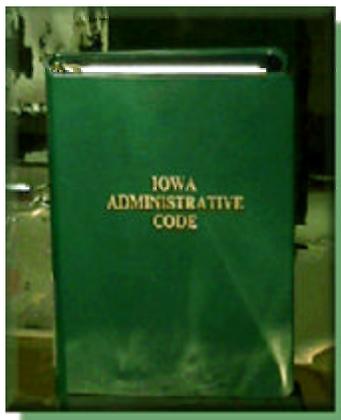
Toby’s previous employment was with Wellmark Blue Cross

Blue Shield of Iowa as a Systems Integrator where he relates he learned “essential skills such as communication, interacting with business units, and the importance of teamwork as well as the importance of process and standards within a large organization.”

Welcome aboard Toby!!

## *IT Position Filled*

## *Iowa Administrative Code Chapter 189.4 Amendment*



The Credit Union Review Board gave “Notice of Intended Action” to amend Iowa Administrative Code Chapter 189.4 “Procedure for Adoption of Rules.”

The amendment rescinded Chapter 4 and adopted the

complete model rule from the Uniform Rules on Agency Procedure in the Administrative Code of Iowa.

The purpose of the rule change was to comply with Executive Order 8.

A public hearing was held at

2:30 p.m. on August 26, 2003 and the Review Board voted on September 10, 2003 to adopt the amendment to Chapter 4. The rule was signed by the Superintendent and filed with the Iowa Administrative Code Division. (see page 5)

## Criteria For Community Credit Union Chartering

When a credit union chooses to change from an employee common bond to a community common bond, there is a uniform procedure for amending bylaws. A Certificate of Resolution Adopting Amendment to Bylaws that must be completed clearly defining the geographical area the credit union proposes to serve by amending Bylaw Article III, Section 3.1 Please keep in mind that any reference in your current bylaws to employee and association groups within these geographical boundaries may not be enumerated in your new bylaws.

A community credit union must possess a name that is either generic in nature or contains the word "community." A name change requires amendment to both the bylaws and the Articles of Incorporation. It is

recommended that the proposed name be submitted to our office for preliminary approval prior to submitting it to a vote of the members.

In support of a credit union's request to provide or extend membership services to the residents in a specific community or area, the following information must be submitted to the Division by the credit union:

- The Board of Director's

rationale for the community charter request. This information should include the needs of the credit union, the needs of the community to be served, and how the boundary for the requested area was determined.

- An analysis of current and projected requirements to handle a community charter. This information should in-

cluded staffing, physical facilities, estimated costs and the range of services to be provided.

- A clearly defined description of the area to be served, i.e., the geographical boundaries, which is recognized as a distinct "community." Normally, the area will be a singular or contiguous community, i.e., city(ies), county(ies), with common borders. When an area requested is not contiguously located, a credit union may be required to demonstrate the need and ability to provide service to the area, and to document, after receiving approval, that the service being provided the community is supported by the residents and employees of the area.
- A business plan describing the objectives of the credit union, which



(continued on page 4)

The Credit Union Division has been in the process of amending the chapters in Iowa Administrative Code 189 as recommended by the Credit Union Rules Review Committee (a committee assigned by the Review Board chairperson).

In fiscal year 2004, the Division plans to amend the following chapters:

- Chapter 189.6 Branch Offices
- Chapter 189-12 Bylaw Amendment Voting Procedure-Mailed Ballot
- Chapter 189-15 Foreign Credit Union Branch Offices
- Chapter 189-16 Director Election-Absentee Ballot Voting Procedures
- Chapter 189-19 Amend, Modify, or Reverse Acts of the Board of Directors-Mailed Ballot Voting Procedures.
- Electronic Transfer of Funds



## CONSUMER BEWARE !!

There are reports of newspaper advertisements placed by phony credit unions that are luring unsuspecting customers to acquire loans by sending advance payments up front. Advertisements have appeared in newspapers in California, Colorado, Iowa, Missouri, Ohio, Pennsylvania, and Washington State. The illegal lending schemes prey on customers with credit problems by offering auto loans, personal loans, debt consolidation loans and home equity loans. Part of the process involves the victim completing a loan application requesting personal and financial information which may be the basis for identity theft.

The Website deception scheme copies a credit union's entire website and substitutes false phone numbers in place of the credit union's legitimate phone numbers.

Another website fraud uses the words "credit union" in its title. The site then links to various products and information misusing the credit union's name

they are mimicking.

The Office of Missouri Attorney General gave several tips for consumers to avoid being taken by advance fee loan scams:

- Legitimate lenders never "guarantee" or say that you are likely to get a loan or a credit card before you apply, especially if you have bad credit, no credit or a bankruptcy.
- (continued on page 6)




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## *Criteria for Community Credit Union Chartering*

*(Continued from Page 3)*

includes plans for providing a service level to the potential members in the requested area which will demonstrate that the proposed expansion will be successful.

Upon receipt of this information, a thorough investigation of the request will be made by the Division. Items taken into consideration, in addition, will be the following:

- The performance of the credit union based upon semi-annual 5300 call reports and examinations conducted by the Division. The basis will include the credit union's CAMEL ratings, with primary emphasis in the areas of capital, assets, management and earnings. A period of positive trends from historical information of the credit union should be apparent and indicative of a credit union whose operations and CAMEL ratings are considered sat-

isfactory.

- The credit union is not presently under a "special reserving" requirement or other regulatory administrative action which indicates the credit union is experiencing serious financial, managerial or operational difficulties.

If the information submitted evidences that a thorough study has been done by the board which supports their request, and if the investigation by the Division supports the credit union's ability to provide that service, an approval of the field of membership expansion will be granted.

**CREDIT UNION DIVISION**  
**200 E. Grand, Ste. #370**  
**Des Moines, Iowa**

**PUBLIC HEARING**  
**August 26, 2003**

Present: James E. Forney, Superintendent of Credit Unions, Rebecca Vacco, Recording Secretary

At 2:30 p.m., on August 26, 2003, Superintendent Forney opened the hearing regarding the Credit Union Review Board's intention to rescind Chapter 4, "Procedure for Adoption of Rules," Iowa Administrative Code Chapter 189.4 and adopt a new Chapter 4 with the same title.

Pursuant to the authority of Iowa Code section 533.54, the Credit Union Review Board gave "Notice of Intended Action" regarding Chapter 4, "Procedure for Adoption of Rules" August 6, 2003. A copy of the Intended Action was available in the Iowa Administrative Bulletin Volume XXVI, August 6, 2003 issue at <http://www.legis.state.ia.us>.

In addition, notice of the public hearing was posted on the Credit Union Division website and in the Division's quarterly newsletter.

Any interested persons wanting to make written comments were to send them to the Credit Union Division, 200 E. Grand, Ste. #370, DM, the same location oral comments were to be made on August 26, 2003.

The Division received no written comments as of this date and time and no persons have appeared to make oral presentations.

Following the preceding comments, the Superintendent recessed the hearing at 2:40 p.m. to be reconvened at a time when a person appears at the office of the Credit Union Division to present an oral comment.

At 3:30 p.m. on August 26, 2002, Superintendent Forney reconvened the public hearing. No person has appeared to make oral comment on the proposed intended action to Chapter 4, "Procedure for Adoption of Rules.", and the hearing was closed.

*From the Office of the Governor  
Iowa's Year End Financial Condition  
(continued from page 1)*

Federal fiscal relief funds, which are expected to total \$100 million by 2005, will be dedicated to the Iowa Values Fund for economic development grants and loans. Iowa's share of new federal Medicaid matching funds will be used to repay the Senior Living Trust

Fund which has been drawn upon in previous years to help cover Medicaid nursing home costs.

## CONSUMER BEWARE !!

(continued from page 4)

-If you don't have the credit offer in hand, or confirmed in writing, and a telemarketer asks you to pay an advance fee, don't. Such a solicitation is illegal.

-Check out unfamiliar area codes, as they may be from Canada or the Caribbean and may indicate fraud that crosses international borders.

-Be very cautious before providing sensitive information, such as your Social Security number or bank account numbers, to a business you are not familiar with.

- If you have a potential interest in an offer, ask them to send you written information to consider. Don't be pressured into making a decision right away over the phone.

The National Credit Union Administration's Chairman Dennis Dollar is asking if you have any information regarding the above mentioned activities, to call the NCUA Fraud Hotline at (703) 518-6550 or (800) 827-9650. Credit Unions should also consider filing a Suspicious Activity Report and/or directly contact the local office of the FBI.

## PRESS RELEASE FROM IOWA GOVERNOR'S OFFICE

### Vilsack Urges Iowans to Conserve Energy, Prepare for Higher Natural Gas Prices

DES MOINES—Governor Vilsack toured an energy-efficient model home in West Des Moines, where he urged Iowans to make their homes more energy efficient in preparation for the possibility of high natural gas prices expected this winter.

“The government has a responsibility to help people deal with this issue, so that all Iowans, especially

low-income Iowans and senior on fixed incomes, can have the security of being able to afford their heating costs. There are many opportunities to address this issue, especially through Congressional action, and through the assistance of Iowa's utilities. It is not too early to start taking steps to meet our responsibility to conserve energy,” Governor Vilsack said. The Iowa Utilities Board has warned

that natural gas prices could possibly increase by 100 percent or more, and Iowans who rely on natural gas to heat their homes need to act now to save energy and money this winter.” There are many factors contributing to higher natural gas prices; the primary cause is less natural gas production and supply combined with increased demand. (Continued on page 8)

FROM THE OFFICE OF  
THE GOVERNOR

**Transforming the Iowa Economy**

- 50,000 new employed workers with college experience and 50,000 new high-paid, high-skill jobs that require two years post-secondary education within four years.

**Continuous Improvement of Education**

- 90% of children have a quality preschool experience and 90% of students have at least two years of higher education.

**Expanding Access to Health Care and Other Vital Services**

- All Iowans have access to quality health care, including access to mental health and substance abuse treatment services.
- Seniors, adults with disabilities and those at risk of abuse have safe quality living options in their communities.

**Renewed Commitment to the Environment**

- By 2010, eliminate all impaired waterways.



## PRESS RELEASE FROM IOWA GOVERNOR'S OFFICE

### Vilsack Urges Iowans to Conserve Energy, Prepare for Higher Natural Gas Prices

(Continued from page 6)

that can be traced back to colder-than-normal temperatures last February, which resulted in record-low storage levels at the end of spring. Iowans can save energy and money by making their homes more energy efficient. Many resources are available to help minimize the impact of higher natural gas prices. The Iowa Utilities Board has a comprehensive list of web sites that provide energy efficiency plans, programs, and information, available at:

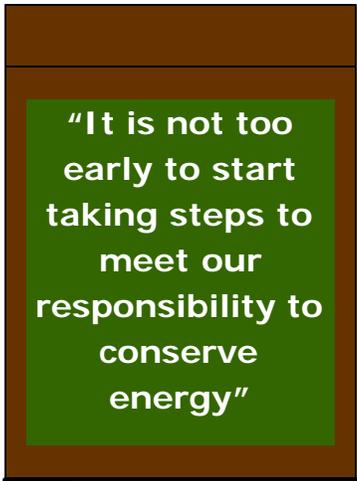
<http://www.state.ia.us/government/com/util/ee.html>

"High heating costs affect all of us, but there is disproportio-

tionate impact of price increases on low-income customers," the Governor said. "The Low Income Home Energy Assistance Program deserves strong Federal support and I have asked Iowa's congressional delegation to do all they can to fully fund the service." Last year, 78,000 low-income households in Iowa received federal LIHEAP assistance, out of an estimated 200,000 households that would have been eligible for LIHEAP.

"All investor-owned utilities provide programs to supplement the Weatherization Assistance Program operated by community action agencies and supported by federal weatherization funds. The

Iowa Utilities Board has directed all investor-owned utilities to double their funding for the low-income weatherization programs prior to the 2003-2004 winter heating season." "I have also spoken personally with leaders of Iowa's major investor-owned utilities and asked them to help us prepare for higher natural gas prices by using special purchase options of natural gas now to help the chances that costs will go down. I would also like to call upon local contractors in Iowa to be sensitive to this issue, and be



ready to do the weatherization work that people will need to make their homes more energy efficient."

| <i>Division Activities</i>  |   |   |
|---|---|---|
| <i>ATM Applications</i>   | <i>Offices Established/Closed</i>   | <i>Employee Groups</i>  |
| <p>Thirty-three (33) ATM applications were approved this quarter.</p> | <p>Four (4) offices were approved this quarter.</p> <ul style="list-style-type: none"> <li>• Du Trac Community Credit Union office located at North 4th Street, Eldridge, Iowa, and Jersey Ridge Road &amp; 53rd Street, Davenport, Iowa, approved 7/18/03.</li> <li>• Greater Iowa Credit Union office located at 230 N 7th, Denison, Iowa and 70th Avenue &amp; Merle Hay Road, Johnston, approved 7/7/03.</li> </ul> | <p>There were 4 employee group applications approved with a total of 41 potential members this quarter.</p> |
| <b>Amana Employees Credit Union Merges</b>                            |   |   |

Amana Employees Credit Union completed its merger with Deere Community Federated Credit Union in Ottumwa on June 1, 2003.

Amana Employee Credit Union incorporated back in May 1968, with its principal office in Amana, Iowa.

Their original field of mem-

bership consisted of the employees of Amana Refrigeration, Inc.

At the time of merger, the field of membership included employees of the Amana Appliances Company, the Amana Society, and the Amana Employees Credit Union. These fields

have transferred over to Deere Community Federated Credit Union.

Deere Community Federated Credit Union will continue to keep the office open at 2800 220th Trail, Middle Amana. The office hours are Monday through Thursday, 8:00 a.m. to

to 4:30 p.m. and Friday, 7:00 a.m. to 4:30 p.m. You can reach the office at (319) 622-3610.



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(continued on page 4)

## Agency Plan for Regulatory Review for FY 04

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